

The complaint

Mr C complains about the quality of a vehicle that was supplied through a motor finance agreement with Volkswagen Financial Services (UK) Limited (VWFS).

Mr C has been represented on this complaint. But to keep things simple I'll only refer to Mr C in my decision.

What happened

In October 2023, Mr C acquired a used car through a hire purchase agreement with VWFS. The car was about four years and six months old and had travelled 49,134 miles when it was supplied to him. The cash price of the car was £34,999. An advance payment of £2,002 is listed, so the total amount financed on the agreement was £32,997 payable over 47 repayments of £648.84, followed by a final repayment of £14,557.50.

From the outset Mr C said he noticed issues with the car which included cracked windows, the radio not working, lane assist not working properly with the car initiating the emergency break intermittently. Despite repairs to some of the issues, the problems persisted.

Mr C said in June 2025, the lane-assist and cruise control stopped working completely. He said the car was brought to the dealership in August 2025 for a software update, however, the issues remained after he collected it.

Mr C said he's been affected financially, with having to go back and forth to the dealership and has lost work due to the impact on his travel.

In September 2025, VWFS issued their final response. In summary, it said that following an initial repair attempt to the lane assist, Mr C didn't reschedule a further repair appointment despite being advised to do so. It said issues with the brakes weren't raised, so would require investigation. The unwanted brake warnings were not unusual for the technology, and an investigation by the dealership didn't identify any issues. VWFS said the lane assist issue was recalibrated around 20 months into the agreement and after 24,500 miles were covered, and there was no evidence that the issue was a result of a manufacturing defect.

VWFS didn't accept Mr C's request to reject the car, however in acknowledgment of being without it, and for the inconvenience caused, VWFS offered Mr C £200 in compensation and £165 (25% of a monthly rental) for loss of use.

Unhappy with VWFS's outcome, Mr C brought his complaint to this service where it was passed to one of our investigators to look into.

In February 2026 the investigator issued their view and recommended that Mr C's complaint should be upheld. In summary the investigator concluded the issues were present when the car was supplied and that more than one attempt at repair had been made, so a rejection of the car was reasonable. The investigator recommended that VWFS end the agreement, collect the car, refund the deposit, refund 10% of the monthly repayments for loss of

enjoyment, reimburse £78 for additional expenses and pay Mr C £350 in compensation for the distress and inconvenience caused.

VWFS accepted the investigator's view, however Mr C didn't. He responded to say that in addition to what the investigator recommended he wanted 50% of all his monthly repayments refunded. He also said he'd be happy to keep the car but wanted to cancel the agreement.

The investigator issued a second view maintaining the original outcome. Mr C offered some further options which included rejecting the car but receiving a 20% refund of the monthly repayments already made. However, as the investigator's view remained unchanged, Mr C's complaint was referred to an ombudsman for a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In considering what is fair and reasonable, I've thought about all the evidence and information provided afresh and the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Mr C complains about a hire purchase agreement. Entering into consumer credit contracts like this is a regulated activity, so I'm satisfied we can consider Mr C's complaint about VWFS. VWFS is also the supplier of the goods under this agreement and is responsible for a complaint about their quality.

The Consumer Rights Act 2015 (CRA) is relevant in this case. It says that under a contract to supply goods, there is an implied term that "*the quality of the goods is satisfactory, fit for purpose and as described*". To be considered as satisfactory, the CRA says the goods need to meet the standard that a reasonable person would consider satisfactory, considering any description of the goods, the price and all the other relevant circumstances.

So, it seems likely that in a case involving a car, the other relevant circumstances a court would consider might include things like the age and mileage at the time of sale and the vehicle's history.

My starting point is that VWFS supplied Mr C with a used vehicle that had travelled around 49,000 miles. With this in mind, I think it's fair to say that a reasonable person would expect the level of quality to be less than that of a brand-new car or one with lower mileage; and that there may be signs of wear and tear due to its usage which may impact its overall quality and reliability, so there'd be an increased likelihood of unforeseen problems surfacing sooner than in a new vehicle. That said, the car was priced at £35,000 which isn't insignificant. It also wasn't a particularly old vehicle. So, I think it is fair to say that a reasonable person would expect it could offer a reasonable duration without any serious issues.

From the information provided I'm satisfied there was a fault with the car. This isn't in dispute by either party. VWFS acknowledged the car had to be repaired and that repairs were outstanding, and Mr C has maintained that the car was supplied in a faulty state. I also don't consider it to be in dispute that the car wasn't of satisfactory quality when it was supplied. The investigator concluded this in his view and VWFS accepted the recommendations. What appears to be in dispute is how best to resolve the complaint.

Under the CRA if goods are not of satisfactory quality they do not conform to the contract. Section 19 of the CRA sets out certain remedies available to the consumer for goods that do not conform, and one of those remedies is the final right to reject the goods if after one repair or one replacement, the goods still do not conform to the contract (which is the case in this complaint). So, in consideration of the CRA I'm satisfied that VWFS should facilitate a rejection of it for Mr C.

I recognise Mr C's offer to keep the car, but I don't consider ending the agreement and allowing Mr C to retain the car is fair, reasonable or proportionate in the circumstances, so I won't be instructing VWFS to do so.

VWFS should also refund any deposit paid by Mr C, and given the impaired use Mr C has experienced I agree with the investigator that a 10% refund should be applied to all the monthly repayments. This takes into account the courtesy car which wasn't like for like during the repairs.

In an email to the investigator dated 16 March 2025, Mr C particularly disagreed with the 10% refund recommendation. For example, he said he'd be willing to accept a refund amount of 20%. I've considered the circumstances here; however, I'm satisfied that 10% is fair given what Mr C has described.

Mr C was impacted somewhat by the issues with the car, but he was able to drive it whilst he owned it. For example, MOT records show that in October 2025, Mr C had travelled over 26,000 miles since he was supplied the car, which is around 6,000 miles more per year than the allowance on the agreement. So, I don't consider the issue had prevented Mr C from using the car.

Mr C has also described the inconvenience caused to him as a result of the issues with the car, the impact to his job, going back and forth to the garage, so I'm satisfied that £350 in compensation is fair in the circumstances. This is in addition to the £78 diagnostic charge Mr C incurred in November 2023 where some issues were identified.

My final decision

Having thought about everything above along with what is fair and reasonable in the circumstances I uphold this complaint and instruct Volkswagen Financial Services (UK) Limited to:

- collect the car without charging Mr C for collection costs.
- end the agreement entered and remove it from Mr C's credit file.
- refund the deposit Mr C paid (if any part of this deposit is made up of funds paid through a dealer contribution, Volkswagen Financial Services (UK) Limited is entitled to retain that proportion of the deposit)
- refund to Mr C 10% of his monthly repayments made from inception until the date of settlement for loss of use or impaired use.
- reimburse to Mr C the diagnostic charge of £78.
- pay Mr C £350 in compensation for the distress and inconvenience caused.

- remove any adverse information that may have been recorded with the credit reference agencies in respect of the agreement.

Volkswagen Financial Services (UK) Limited should pay 8% yearly simple interest on all refunds calculated from the date of payment to the date of settlement.

If Volkswagen Financial Services (UK) Limited considers that it's required by HM Revenue & Customs to withhold income tax from the interest part of my award, it should tell Mr C how much it's taken off. It should also give Mr C a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 21 May 2026.

Benjamin John
Ombudsman